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## CO-OPERATION IN CALIFORNIA.<sup>1</sup>

Coöperation in one form or another has been tried in California since the earliest days of the gold rush. Many of the mining companies of "the olden, golden era" were excellent examples of coöperative endeavor.<sup>2</sup> Coöperative land colonizing companies did much to settle the rural districts of the state with an enterprising class of agriculturalists. The completion of the transcontinental railroad in 1869 caused considerable unemployment, especially in San Francisco, and incidentally led to a number of unsuccessful ventures in coöperative manufacturing.<sup>3</sup> During the seventies enthusiastic members of the Grange organized coöperative stores, creameries, marketing and purchasing associations, and even banks,<sup>4</sup> but none of these undertakings survived the disintegration of that society. The Knights of St. Crispin, in fighting the encroachments of the Chinese in the boot and shoe industry in San Francisco, tried coöperative manufacture but without success.<sup>5</sup> The influence of the Knights of Labor in the coöperative field was slight and of but passing importance. The Bellamy or Nationalist movement caused several striking but unsuccessful attempts at starting coöperative or communistic colonies, and aroused a widespread though temporary interest in coöperative principles, but

<sup>1</sup> In a paper of the length such as this must necessarily be, it is impossible to consider in detail all the various forms of coöperation in California. The writer has attempted to deal with only a few of its more important and characteristic features.

<sup>2</sup> Cf. Shinn, C. H., *Mining Camps* (N. Y., 1885), ch. 9, 11.

<sup>3</sup> The San Francisco *Evening Bulletin* of November 1, 1871 notes the existence of three coöperative foundries in that city: the Miners' Foundry organized in October, 1869, the Golden State Iron Works organized in May, 1870, and the Columbia Foundry organized in April, 1871. The Coöperative Saddlery and Harness Company was started in May, 1870. (*S. F. Bulletin*, Oct. 28, 1871). The Pacific United Workingmen's Furniture Manufacturing Company was organized in February 1872 with a capital stock of \$50,000. (*S. F. Chronicle*, Feb. 18, April 15, 1872).

<sup>4</sup> Cf. Carr, E. S., *The Patrons of Husbandry on the Pacific Coast* (S. F., 1875), ch. 14.

<sup>5</sup> Cf. Shinn, C. H., *Coöperation on the Pacific Coast* ("Johns Hopkins University Studies in Historical and Political Science", Sixth Series, Balt., 1888), p. 460; *S. F. Evening Bulletin*, June 18, 1870. The *S. F. Bulletin* of September 21, 1871 states that at that time there was but one coöperative boot and shoe factory in that city, although in the preceding year there had been five such companies.

other than this its results were of no consequence.<sup>6</sup> Later years have seen coöperative effort directed towards the establishment of stores, marketing associations, creameries and mutual fire insurance companies, although in a few instances coöperative production in both agriculture and manufacture has been attempted.

### *Coöperative Stores.*

So far as the writer has been able to ascertain, the first coöperative store in California was started sometime during the latter part of 1867.<sup>7</sup> To-day there are about fifty such stores in the state, having a total capitalization of approximately \$700,000, representing 7,000 stockholders, and earning profits of \$125,000 upon yearly sales estimated at \$2,500,000.<sup>8</sup> Some of these stores do a very large yearly business as is shown by the fact that sales of the Tulare Rochdale Company for 1910 were \$245,964, while those of the Modesto Rochdale Company for the same period were \$176,000. Within the past two years the trade of the latter has increased from \$600 to \$1,500 per month. In 1910 it declared a dividend of 8 per cent upon its capital stock, a dividend of 6 per cent to its 225 stockholders upon their purchases,<sup>9</sup> and also set aside 23 per cent of its earnings for the building and sinking fund. In addition to dealing in groceries, hardware, shoes and dry goods, it owns and operates its own bakery, and is planning to erect a building to be used for a large hotel and a department store.

\*Two years after the publication of Bellamy's *Looking Backward* more than fifty Nationalist or Bellamy Clubs with more than 3,000 members were organized in California. The movement supported three weekly papers devoted to the propagation of the ideas of its founder. Cf. *Overland Monthly*, n.s., vol. 15, pp. 659-661.

<sup>7</sup>The San Francisco *Times* of January 8, 1868, states that the sales of this company, The Coöperative Union Store of San Francisco, were \$218 for the first week, \$288 for the second, and \$706 for the third. At that date (Jan. 8) the daily sales were averaging \$150.

\*Coöperative stores are located in the following cities: Altruras, Arbuckle, Boulder Creek, Butte City, Chico, Campbell, College City, Colusa, Corning, Delano, Dinuba, Dos Palos, Ducor, Elmhurst, Escondido, Fairfield, Germantown, Geyserville, Gonzales, Grass Valley, Gridley, Grimes, Guerneville, Healdsburg, Hollister, Le Grand, Loomis, Madera, Maxwell, Modesto, Napa, Oakdale, Orland, Oroville, Penngrove, Porterville, Red Bluff, Rocklin, San Jose, Santa Cruz, San Luis Obispo, Selma, Shandon, Soledad, Tipton, Tulare, Turlock, Wheatland, Woodland, and Yolo.

<sup>9</sup>The Tulare Rochdale Company in 1910 paid 8 per cent upon capital stock and 4 per cent upon purchases.

Forty-six of these stores form what is known as the Rochdale Family.<sup>10</sup> They are organized upon the Rochdale plan of a fixed rate of interest (usually 8 per cent) upon capital, equal shares<sup>11</sup> and equal votes,<sup>12</sup> and the distribution of profits to members in proportion to their purchases.<sup>13</sup> Each store holds a share of stock in the Rochdale Wholesale Company of San Francisco. The latter was organized in November, 1899, and opened for business on January 1, 1900. Inasmuch as at that time there were but six Rochdale stores in the state, the coöperators realized that the wholesale house could not long exist with such slight support. As a consequence an organizing bureau was formed, other Rochdale stores were established,<sup>14</sup> and to-day the wholesale company has a capital stock of \$62,000,<sup>15</sup> and yearly sales of \$335,000.<sup>16</sup> Its earnings, other than those required to pay eight per cent upon its capital stock, are divided among the stockholding stores in proportion to the amount of their purchases.<sup>17</sup>

The Rochdale Wholesale Company has had a hard struggle for existence. Other wholesale houses have not hesitated to use the

<sup>10</sup> Inasmuch as the public is usually suspicious of a "coöperative" company, these stores avoid the use of the word coöperative, and are known to their members and to the trade as "Rochdale stores".

<sup>11</sup> The par value of the shares of the Rochdale stores in California is always \$100.

<sup>12</sup> In 1894 the Farmers' Alliance succeeded in having a law passed applying solely to coöperative associations, which made obligatory the holding of equal shares and the exercising of equal rights on the part of the stockholders. This law has been incorporated into the Civil Code of the State. Cf. Civil Code of California, section 653c.

<sup>13</sup> The original Rochdale store in California is still in existence and is located at Dos Palos. It was organized in 1896 with a capital of \$10 in cash and \$14 worth of produce. At first it was open but one night a week and frequently sold out its entire stock on such occasions.

<sup>14</sup> Stores were organized at the rate of about nine per year.

<sup>15</sup> The shares are placed at \$1000 each. Forty-six of the sixty-two shares are held by Rochdale stores; the remaining sixteen are held by certain individuals interested in the propagation of coöperative principles.

<sup>16</sup> Annual sales of the Rochdale Wholesale Company:

1900.....	\$ 60,000	1906.....	\$260,000
1901.....	110,000	1907.....	262,000
1902.....	165,000	1908.....	250,000
1903.....	210,000	1909.....	307,000
1905.....	233,000	1910.....	335,000
1905.....	260,000		

<sup>17</sup> Employees do not share in the earnings of the Wholesale Company or in those of individual Rochdale stores.

most underhanded and shameful means at their disposal in their attempts to force it into bankruptcy. The most discouraging feature of the situation, however, is that the stores which hold its stock do not hesitate to trade elsewhere if they find it to their temporary advantage to do so. Were they but to center their trade entirely upon the Wholesale, it could easily do a yearly business of more than \$750,000 where to-day its sales amount to only \$330,000.<sup>18</sup>

The showing made by the coöperative stores in California is not as satisfactory nor as encouraging as the above might lead one to believe. An investigation which the writer made in 1905 for the Wisconsin Bureau of Labor and Industrial Statistics<sup>19</sup> disclosed the existence of sixty-four coöperative stores in California, fifty-one of which were Rochdale companies. Today there are but fifty coöperative stores in the state, and only forty-six of these are organized upon the Rochdale plan. Of the fifty-one Rochdale stores engaged in business in 1905, less than one half, (twenty-three), are in existence at the present time. Truly a most unsatisfactory showing for the success of this branch of coöperative endeavor.<sup>20</sup>

A unique instance of consumers' coöperation is that of the California Coöperative Meat Company of Oakland.<sup>21</sup> This association was organized in June 1904 as the result of an attempt on the part of the employing butchers to introduce the "open shop." The members of the local Butchers' Union and their sympathizers then formed a coöperative company with a capital stock of \$12,000 and opened an up-to-date and excellently equipped butcher shop and sausage factory. At the present time its yearly sales approximate \$120,000. Ninety-five per cent of these are to saloons, restaurants and hotels, and only five per cent are to private families and to its stockholders. The company has not been given the support which it was led to believe it would receive from its members and

<sup>18</sup> The leaders of the Rochdale movement early recognized the need of an organ through which the coöperators of the state might keep in touch with each other, and consequently in 1901 started the publication of "The Coöperative Journal." This eight page monthly, issued at Oakland, is ably edited by Mr. R. B. Bush, an ardent advocate of the principles of coöperation.

<sup>19</sup> *Twelfth Biennial Report of the Bureau of Labor and Industrial Statistics of the State of Wisconsin, 1905-06, Part 1, pp. 52-53.*

<sup>20</sup> In 1900 there were twenty-eight coöperative stores in California. In 1904 this number had increased to forty-seven, forty-five of which were Rochdale stores.

<sup>21</sup> This company has a branch butcher shop located at East Oakland.

from the labor unionists in general; and in some quarters the advisability of its continuance is being seriously questioned.

In San Francisco the Italian vegetable gardeners, who supply about ninety-five per cent of the vegetables consumed in that city, sell entirely through their own coöperative market, The Colombo Market, established in 1874. This has been very successful, and has been able to eliminate harmful competition by a unique practice of fixing prices at the beginning of each week or more frequently if deemed necessary. All vegetables must be sold by its members at the fixed prices under penalty of fine or expulsion from the market.

#### *County Mutual Fire Insurance.*

One of the forms of coöperation most widely practised in California is found in the mutual fire insurance companies which have been organized in seventeen counties of the state. The growth in number and business of these associations has been gradual but on the whole very satisfactory.<sup>22</sup>

#### *Agricultural Coöperation.*

In the application of the principles of coöperation to her agricultural industries California has excelled. There is scarcely a form of coöperative enterprise with which her agriculturalists have not experimented and which to-day cannot be found in operation in at least some part of the state. There are a fairly large number of coöperative creameries, especially in Yolo and Tulare counties. There are also a few remaining instances of coöperative irrigation, which in earlier days did much to bring many districts under cultivation. Other examples may be found in road building, farming, telephones, the picking and packing of fruit, warehouses, purchasing and selling agencies, and so on through a long list of activities.

The latest development is the formation of the Imperial Valley Oil and Cotton Company. Within the last two years cotton has be-

<sup>22</sup> The following table shows the progress made by the county mutual fire insurance companies during the period 1900-1909. The statistics for 1910 are not available.

Year.	No. of companies	Amount written.	Premiums on same.	Losses paid.
1900	9	\$777,584	\$3,340	\$1,400
1905	10	2,737,464	15,587	7,315
1909	17	6,502,199	38,961	34,200

come a very important product of the Imperial Valley. More than 10,000 acres were planted to it in 1910, and for 1911 over 60,000 acres have been promised. This company is a coöperative association formed among the cotton growers of that district, who hold its stock in proportion to their prospective acreage. It handles the crop for its members, and erects cotton gins and oil mills wherever conditions seem to warrant it. Already gins have been built at El Centro, Brawley, Holtville, Calexico and Heber. The most striking success, however, has come in connection with the marketing of citrus fruits.<sup>23</sup> A single coöperative concern, The California Fruit Growers' Exchange, handles more than \$20,000,000 worth of orchard products each year, and does it to the entire satisfaction of the 6,000 members or growers whom it represents. The Exchange markets fully sixty per cent of the citrus fruit crop; other coöperative agencies, organized along the same lines as the Exchange, handle from twenty to twenty-five per cent of the remainder, leaving but from fifteen to twenty per cent to be taken care of by the various commission houses.

Necessity forced the citrus growers to coöperate. The great distance separating the orchards and the markets, the high freight rates, the exorbitant charges of the commission men, the ignorance of the growers regarding market conditions, the glutting of certain centers with fruit while others were suffering from a lack of it, were but a few of the many causes which brought about the formation in 1885 of the first marketing association, The Orange Growers' Protective Union. The Union was only partly successful in coping with the difficult situation, and during the next twenty years changes took place in the name and in the form of the organization, finally resulting in 1905<sup>24</sup> in the formation of the present association, The California Fruit Growers' Exchange.<sup>25</sup>

<sup>23</sup> For the most part, oranges, lemons and grape fruit.

<sup>24</sup> March 27, 1905.

<sup>25</sup> The Orange Growers' Protective Union was very bitterly fought by the commission houses and failed to bring satisfactory results. Other associations, for the most part local in character, were then formed, but they too were not successful in their attempts to bring relief to the growers. In October, 1895 the Southern California Fruit Agency was organized, and during its first year it marketed 1800 carloads of fruit. Its influence and prestige spread rapidly, growers seemed to have confidence in it, and in a short time it was able to bring order out of chaos and success out of failure. For the purpose of eliminating competition between the Exchange and the commission houses an alliance was formed with the latter in April

The plan of the organization of the Exchange is very simple. (1) There are about one hundred local or growers' associations composed of the members who reside in a given locality. These associations as a rule have their own packing houses in which the fruit is washed, brushed, dried, graded, packed and labelled. In all cases the grower is charged only for the actual cost of handling his fruit. (2) The local associations in each district are federated into thirteen district or sub-exchanges, which direct the shipment of the fruit packed by the local associations. (3) Over and above the district exchanges and local associations, and supervising and aiding them in the work of marketing their product, is the central body, The California Fruit Growers' Exchange, managed by a board of directors, one of whom is chosen by each of the district exchanges. All matters of purely local or district interest are settled by the parties directly concerned, the central body permitting the exercise of the greatest freedom in this connection. In case any member desires to make use of the machinery of the Exchange for trade purposes, it is placed at his disposal regardless of whether he owns one acre or a thousand acres of orchard. The idea which prevades the entire association is that of obtaining the greatest amount of benefit for its members. No dividend or profit of any sort goes to any clique or inner circle.

In putting the fruit upon the market each local association turns over its boxed product to the district exchange to which it belongs. The latter ships it through the central Exchange, consigning it to some point where the later has a selling agency. These representatives or agents then sell it in accordance with the customs of the market in each locality. In ten of the largest cities of the United States and also in London the fruit is sold at auction. About forty per cent of that part of the crop handled by the Exchange is disposed of in this manner. The remaining sixty per cent is marketed in the usual way through its own agents and through jobbing houses. In this connection it may be noted that the Exchange has personal representatives in more than fifty cities of the United

1903, according to the terms of which the California Fruit Agency was organized for the purpose of marketing the fruit for both the Exchange and the commission houses. The alliance proved to be very unsatisfactory in every regard, and in September, 1904 it was dissolved by the withdrawal of the Exchange. In March, 1905 the Exchange was re-organized, since which time it has been known as The California Fruit Growers' Exchange.



States, Canada and the Hawaiian Islands who devote their time exclusively to furthering its interests.

In order to keep the growers informed regarding weather and crop conditions throughout the world, prices of fruit, and other matters of interest to the orchardists, the Exchange publishes a daily bulletin containing this information and mails it free of charge to its members.

Inasmuch as the Exchange controls the shipment of the fruit of its members it knows exactly how much of the crop is being put upon the market each day, where it is being sent, and what prices it is bringing. Thus it is possible for it to so apportion the shipments that each district and local association markets its proportionate share of the crop under the most advantageous circumstances. It also prevents the glutting of the market by directing shipments to those cities not sufficiently supplied with fruit. The Exchange has reduced the cost of packing, selling and collecting by one-half, and as a consequence during the past year netted a clear gain of over \$3,000,000 for its members.<sup>26</sup> In addition to these things it has done much to extend the market for citrus fruits; it has taken an active part in the successful agitation for lower freight rates and better service; it has lessened the risks of the business by establishing more stable conditions, and has kept up the prices of its products even though succeeding years have brought a greatly increased crop.

For the purpose of reducing the cost of supplies to the growers an allied corporation, The Fruit Growers' Supply Company, was organized in 1907 with a capital of \$500,000. Its capital stock is held by the local associations of the Exchange in proportion to the average number of fruit boxes which they handle per year. By means of this coöperative arrangement the Supply Company has greatly reduced the price of materials to its members. Its yearly sales range between one and two million dollars. During the past season it purchased 9,000,000 boxes, equal to 1800 carloads of lumber, 120 cars of tissue paper wrappers for oranges, and 20 carloads of nails.

In spite of the remarkable success of the California Fruit Growers' Exchange it has been found practically impossible to bring about coöperation among the almond and walnut growers, the prune men, the dried fruit interests, the deciduous fruit or-

<sup>26</sup> This was upon the shipment of approximately 25,000 carloads of fruit.

chardists and the raisin growers.<sup>27</sup> Scores of attempts have been made, and failure has followed failure in such rapid succession that to advocate coöperation in certain communities is only to gain the contempt of one's neighbors. One of the more important reasons for this is that very frequently the commission houses and fruit shipping firms are the largest growers, and naturally do not favor any scheme of coöperative marketing. But in face of such a discouraging situation the advocates of coöperation still carry on active propaganda and hope before many years have passed to succeed in forming an association similar in scope, methods and results to the California Fruit Growers' Exchange.

On the whole coöperation has not been a success in California. This is not because there is anything inherently wrong with its principles, for they are known to have brought satisfactory results in other parts of the United States and in certain countries of Europe. Neither will the difficulty of obtaining capable managers, the jealousies and quarrels of the neighborhood, the existence of unfair and severe competition on the part of privately owned stores, or any of a large number of similar things account for its failure. It has failed primarily because the Californians do not have the coöperative point of view. The existence of almost unlimited opportunities in the early days and the marvellous resources of the state have made them individualists of a most pronounced type. Even among the coöperators themselves a surprising lack of the true spirit of mutual helpfulness is evident. They do not concern themselves with the welfare of any company other than the one in which they hold stock. The interests of other coöperators are not their interests. One never hears of the different associations working hand in hand with each other for the purpose of accomplishing some common end. It is a case of "each for himself" rather than of "each for all, and all for each." Seemingly they have failed to realize that the fundamental principle of their philosophy is "To coöperate."

Another factor exceptionally characteristic of coöperative enterprises in California is that all of them seem to have been organized with but one object in mind, and that is to make money for their stockholders. They are mere profit-making associations. Not

<sup>27</sup> Cf. Adams, E. F., *The Modern Farmer in his Business Relations* (S. F., 1899), Book 7, for the early history of some of the efforts which have been made to induce the farmers in these fields to coöperate.

one of the forty-six Rochdale stores has enough of the real co-operative spirit among its members to declare a dividend upon purchases to non-members,—a practice quite common among the Rochdale stores of England. The California Fruit Growers' Association exists solely because it can earn greater profits for its members than can be obtained by any other marketing arrangement. It is difficult to see wherein this point of view differs from that which characterizes the stockholders of the ordinary business corporation.

IRA B. CROSS.

*Stanford University.*